



Strategic Goal 8: Economic Prosperity and Security

Enhance Economic Prosperity and Security by Promoting Global Economic Growth, Development, And Stability, While Expanding Opportunities For U.S. Businesses

I. Strategic Goal Public Benefit

The President's National Security Strategy aims to "help make the world not just safer, but better." National security and global economic prosperity are inextricably linked. Americans have a vital interest in a strong international economy that advances prosperity, freedom, and economic opportunity worldwide. Economic growth creates new jobs and higher incomes for Americans and for citizens of other nations. The Department works closely with other agencies, businesses, and NGOs to build a strong and dynamic international economic system based on free trade with new opportunities for American business, workers, and farmers, and to ensure the economic security of the United States. The Department has a direct impact on U.S. economic security through its work to ensure the stability of the international financial system, disrupt terrorist financial networks, support front-line states grappling with difficult economic conditions, develop diversified and reliable sources of energy, and make international transportation of people and goods safe and secure.

The remarkable growth and prosperity of the developed economies have demonstrated the strength of a dynamic, open international trading system based on free trade and free markets, good governance, and the rule of law, a system which is a key element of sustainable development. Conversely, the lack of economic opportunity for many around the world is an underlying factor for a number of the grave challenges we face. Regional instability, international crime and illicit drugs, social and environmental destabilization, and humanitarian crises all feed on, and further marginalize, vulnerable populations. The Department's efforts to promote trade and development have a direct positive effect on these vulnerable populations while also strengthening the U.S. economy. As the world's largest importer and exporter, the U.S. has a significant impact: trade accounts for about one quarter of the U.S. economy and reached \$2.6 trillion in FY 2003. Export growth produced about 25 percent of U.S. economic growth during the past decade. One of every five U.S. manufacturing workers depends on exports for a job. Imports make competitive, lower cost goods available to American consumers and quality supply components available to American industries. The United States is the largest importer from developing countries, importing goods worth over \$600 billion in 2002, approximately ten times the value of the total of all official development assistance to developing countries from all donors. Continued growth and the economic opportunity gained from open trading systems, foreign investment, U.S. development assistance, and international cooperation on financial issues promotes political liberty abroad and our national security at home.

II. Resource Summary (\$ in Millions)

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request	Change from FY 2004	
				Amount	%
Staff ¹	1,139	1,167	1,193	26	2.2%
Funds ²	\$5,171	\$4,873	\$6,684	\$1,811	37.2%

¹ Department of State direct-funded positions.

² Funds include both Department of State Appropriations Act Resources and Foreign Operations Resources, where applicable, which include resources for other USG agencies to which the Department provides foreign policy guidance (e.g., USAID, EXIM, OPIC, TDA, Peace Corps).



III. Strategic Goal Context

Shown below are the three performance goals, initiatives/programs, resources, bureaus and partners that contribute to accomplishment of the “Economic Prosperity and Security” strategic goal. Acronyms are defined in the glossary at the back of this publication.

Strategic Goal	Performance Goal (Short Title)	Initiative/ Program	Major Resources	Lead Bureau(s)	External Partners
Economic Prosperity and Security	Economic Growth and Development	Development Strategies	D&CP, ESF, DA	EB	USAID, Treasury, DOC, USDA, EXIM, OPIC, TDA, USTR, IMF, World Bank, Regional Devl Banks, UNDP, ILO, WTO, OECD, UNCTAD ¹ , UNICEF, FAO, G-8
		Science-Based Decision-Making and Standards Development	D&CP	OES, STAS	EPA, NIH, NIST, UNESCO
		International Organization Economic Development Policy & Operational Activities	D&CP, IO&P	IO, EB	USAID, Treasury, DOC, USDA, EXIM, OPIC, TDA, USTR, IMF, World Bank, Regional Devl Banks, UNDP, ILO, WTO, OECD, UNCTAD, UNICEF, FAO, G-8
	Trade and Investment	Create Open and Dynamic World Markets	D&CP, ESF, DA	EB	USTR, Treasury, DOC, DOT, USDA, TDA, USAID, WTO, OECD, international institutions, private sector and NGOs
		Support for U.S. Businesses	D&CP	EB	USTR, Treasury, DOC, DOT, USDA, TDA, USAID, WTO, OECD, international institutions, private sector and NGOs
		Integrating Environmental Protection and Trade	D&CP, ESF, DA	OES	USTR, Treasury, DOC, USDA, TDA, USAID, WTO, OECD, international institutions, private sector and NGOs
	Secure and Stable Markets	Secure Energy Supplies	D&CP	EB	DOE, IEA, foreign governments
		Stable Financial Markets	D&CP	EB	Treasury, IMF, World Bank, OECD, Regional Devl Banks

¹ UNCTAD= UN Conference on Trade and Development.



IV. Performance Summary

For each Initiative/Program that supports accomplishment of this strategic goal, the most critical FY 2005 performance indicators and targets are shown below.

Annual Performance Goal #1				
INSTITUTIONS, LAWS, AND POLICIES FOSTER PRIVATE SECTOR GROWTH, MACROECONOMIC STABILITY, AND POVERTY REDUCTION.				

I/P #1: Development Strategies				
Spur economic development and enhance investment climates through the Millennium Challenge Account (MCA) and other initiatives.				
Results		Targets		
2000 & 2001	2002	2003	2004	2005
Impact Indicator				
Indicator #1: Average Developing Country Growth Competitiveness Index (Countries are assessed on a scale of 1 to 7, 7 being the highest level of competitiveness)				
2000: <u>Baseline:</u> 4.78 2001: 4.81	Data not yet available; expected in July 2004.	Data pending.	Increase in average GCI by 3 percent (from 4.81 to 4.95)	Increase in average GCI by 4 percent from 4.95 to 5.10.
Impact Indicator				
Indicator #2: Corporate Restructuring in Japan				
2000: N/A 2001: N/A	<u>Baseline:</u> Economic growth hindered by huge amount of non-performing assets held by debt-ridden Japanese companies. Vested interests still impeding corporate restructuring while the public has mixed perceptions of so-called "vulture capitalism." There are a few successful restructurings.	Industrial Revitalization Corporation of Japan (IRCJ) is organized and begins initial operations.	The IRCJ begins to implement restructuring plans for a number of large and medium sized companies. Both domestic and international turnaround firms participate in these successes. Dramatic increase in the number of companies implementing restructuring plans.	The marketplace begins to dispose of a significant measure of non-performing assets.



I/P #2: Science-Based Decision-Making and Standards Development				
Strengthen ties with neighbors and key allies, and facilitate access to international markets for new technologies				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Impact Indicator				
Indicator #3: Level of Trade in Information Technologies, Ag-biotechnology Commodities, Energy and Environmental Technologies, and Space Products and Services				
<p>2000: N/A</p> <p>2001: N/A</p>	<p>USG organized and sponsored four roundtables on biotechnology and nanotechnology issues.</p> <p>Reforms were completed and published for International Trade in Armaments (ITAR) regulations governing scientific and environmental satellites.</p> <p>USG launched a Task Force for International Energy Technology Cooperation supporting the President's climate change initiative.</p>	<p>Data pending.</p>	<p>Regional S&T ag-biotech initiative launched with Latin America.</p> <p>U.S. initiative to harness space imagery for sustainable development increases GIS products exports.</p> <p>The NAS, IAP, and IAC complete a study for the UN on new and renewable energy sources for developing countries.</p> <p>Deployment of new, low emission energy technology (e.g., fuel cells, solar cells) from joint ventures increase.</p> <p>International Thermonuclear Experimental Reactor (ITER) project is formally launched with formal agreement for cooperation and final site selection.</p>	<p>EU barriers to ag-biotech field tests and commodities trade are eliminated.</p> <p>Post-WSSD activities in water and energy are fully ingrained in UNESCO program of work.</p> <p>S&T ag-biotech initiative launched with Asia.</p> <p>Exports of space imagery and satellite services continue to increase.</p> <p>Low emission energy technology sales continue to rise.</p> <p>ITER begins construction.</p>



I/P #3: International Organization Economic Development Policy and Operational Activities

Advance U.S. interests on development policy and related operational activities at international organizations.

Results		Targets		
2000 & 2001	2002	2003	2004	2005
Impact Indicator				
Indicator #4: Incorporation of the Central Principles of MCA in the International Development Norm Setting Process and UN Agency Activities				
<p>2000: N/A</p> <p>2001: <u>Baseline:</u> U.S. prodded the UN Financing for Development preparatory process into exploring the total resource package for development, with domestic resources as the major component and national policy as the crucial determinant of success.</p> <p>UN development agency programming focuses on progress toward the international development goals in the Millennium Declaration and begin to reflect results-based programming and budgeting.</p>	<p>Monterrey Consensus placed domestic resource mobilization at the heart of development financing, with emphasis on good governance and sound economic policy. WSSD maintained the Monterrey view. ECOSOC and UNGA resolutions adopted Monterrey language and discussed follow-up.</p> <p>Monterrey linked resources to principles. World Food Summit: 5 years later incorporated USG objectives for reducing hunger. WSSD provided consistent mandates for UN development activities, including effective partnerships between recipients and donors. Efforts were undertaken to link traditional sector-specific activities to developing country central policy and regulatory frameworks.</p>	<p>Discussions on UN economic development resources and Monterrey follow-up focus less on developed country obligations towards developing countries and more on developing country responsibilities for their own development, highlighting good governance, economic freedom, and investing in people as means to maximize effective use of resources.</p> <p>UN funds and programs introduce new programs, within their mandates, focused on improving governance, economic policy formulations, sustainable development, public-private partnerships, making health and education systems more accessible, all within framework of enhanced climate to attract private investment and development assistance, including MCA.</p>	<p>UNGA Second Committee adopts streamlined agenda. UNGA adopts new conference follow-up mechanisms. Financing for Development Secretariat financed in 2004-2005 biennium. Monterrey and Johannesburg principles dominate intergovernmental development policy debate.</p>	<p>Effective normative development policy debate leads to change at national levels.</p>



Economic Support Fund (PART Program Efficiency Measure)				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Efficiency Indicator				
Indicator #5: Percentage of ESF Funds That Have Been Allotted Four Months After WHA Receives Its Final Line Item Allocations				
2000: N/A	30%	50%	50%	50%
2001: 18%				
<p>WHA and USAID/LAC (as implementer) can improve the internal processing of ESF funds by tracking the amount of time it takes to allotted funds once WHA has received its final allocations. Moving the funds more efficiently means they can reach the intended beneficiaries more quickly. Since we cannot predict when the appropriations bill will be signed and ultimately the final line item allocations from the Deputy Secretary, WHA and USAID/LAC will begin to measure efficiency at the point the funds are available to be allotted to our field missions. Future targets will seek to increase the percentage of funds allotted within a fixed period of time (4 months after submission of the 653(a) report).</p>				

United Nations Development Program (PART Program Efficiency Measure)				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Efficiency Indicator				
Indicator #6: "Operational Support Costs" as a Percentage of Total Costs				
2000: N/A	Baseline: 14.9%	13%	12%	11%
2001: N/A				
<p>* This efficiency indicator will measure UNDP internal management efficiency rather than program performance. UNDP is independent of the USG.</p>				



Means for Achieving FY 2005 Targets

Increase in average GCI.

- Devise coherent country, regional, and global development strategies, including the promotion of the Monterrey Consensus principles, to ensure bilateral and multilateral development assistance advances economic stability and integration in the global economy.
- Promote sustainable financial and economic policies in Argentina, Brazil, and other Latin American countries in cooperation with International Financial Institutions
- Implement G-8 Anti-Corruption plan and push for accelerated enforcement of OECD Anti-Bribery Convention
- Support economic integration, growth, and development initiatives in the Middle East, Africa, South Asia, South America, and the Caribbean such as the Andean Trade Pact Agreement, Caribbean Basin Initiative, Middle East Partnership Initiative, and African Growth and Opportunity Act.

Corporate Restructuring in Japan - The marketplace begins to dispose of a significant measure of non-performing assets.

- Encourage continued success of domestic turnaround industry along side foreign investment firms.
- Increase understanding and acceptance on the part of the Japanese government and public on the need for corporate restructuring for future economic growth.
- Monitor market response and success to disposal of non-performing assets.

EU barriers to ag-biotech field tests and commodities trade are reduced.

- Promote minimally disruptive biotechnology regulations, which are transparent, predictable, and WTO compliant, working through posts and international fora
- Target consumers and policy makers through speaker programs, workshops and visitor programs.

Post-WSSD activities in water and energy are fully ingrained in UNESCO program of work.

- Use goodwill and budget increase linked to U.S. re-entry to expand work of UNESCO science sector in helping countries implement WSSD agreed goals

With AID, S&T ag-biotech initiative launched with Asia.

- Devise country and regional strategies for APEC and ASEAN to encourage science-based, transparent biotech regulatory systems, including implementation of Codex risk assessment guidelines on a regional basis.
- Target consumers and policy makers through speaker programs, workshops, and visitor programs.

ITER begins construction.

- Conclude negotiation of institutional structure and funding mechanism.

Effective normative development policy debate leads to change at national levels.

- Promote at international fora - particularly the UN General Assembly and ECOSOC - the principles of the Monterrey Consensus, i.e., that economic growth, sustainable development, and poverty reduction require sound macroeconomic policy, democracy, good governance, open markets, and economic freedom.
- Shape UNCTAD economic policy discussions and publications to provide information that will help developing countries implement the Monterrey Consensus and participate in the Doha Development Round of trade negotiations.



Annual Performance Goal #2
INCREASED TRADE AND INVESTMENT ACHIEVED THROUGH MARKET-OPENING INTERNATIONAL AGREEMENTS AND FURTHER INTEGRATION OF DEVELOPING COUNTRIES INTO THE TRADING SYSTEM

I/P #4: Create Open and Dynamic World Markets
Increase market access for U.S. goods, services, and enhance protection of intellectual property.

Results			Targets	
2000 & 2001	2002	2003	2004	2005

Impact Indicator

Indicator #1: Status of Negotiations on Open Markets for Services, Trade, and Investment.

<p>2000: Baseline: WTO negotiations on agriculture and services began. Ten Bilateral Investment Treaties (BITs) sent to Senate for ratification. Negotiations on Free Trade Agreements (FTAs) ongoing.</p> <p>2001: Preparations for launch of new WTO round underway. Chile and Singapore FTA negotiations began. Congress approved Jordan FTA. Five BITs entered into force. APEC leaders agreed in Shanghai to liberalize trade and investment.</p>	<p>WTO launched new round in Doha. China and Taiwan joined WTO. Jordan FTA entered into force. Chile and Singapore FTA negotiations concluded. BIT discussions continued with Venezuela, Peru, Colombia, and South Korea. China took concrete steps to remove trade barriers and open its markets; some shortfalls remained in areas of interest.</p>	<p>Two FTA's (Chile, Singapore) concluded.</p> <p>WTO and Free Trade of the Americas (FTAA) negotiations continue.</p> <p>FTA negotiations began with CAFTA, Morocco, SACU, and Australia.</p> <p>Notified Congress of intent to initiate FTA talks with Dominican Republic and Bahrain.</p>	<p>WTO Doha Round negotiations continue (with January 1, 2005 target for completion).</p> <p>Conclude three new BITs. Conclude two FTAs. Conclude FTAA negotiations, (with a January 1, 2005 target for completion).</p> <p>Add the Dominican Republic to the pre-existing CAFTA.</p>	<p>WTO Doha negotiations completed January 1, 2005.</p> <p>Two new BITs concluded. One FTA concluded.</p>
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I/P #4: Create Open and Dynamic World Markets, <i>cont'd</i>				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Output Indicator				
Indicator #2: Number of Market Opening Transportation Agreements in Place.				
<p>2000: <u>Baseline:</u> Open Skies agreements in place with forty-seven countries.</p> <p>2001: Five bilateral Open Skies agreements concluded. Multilateral Open Skies agreement with four countries concluded.</p>	<p>Five additional bilateral Open Skies agreements plus three other liberalized agreements concluded.</p>	<p>Concluded three bilateral Open Skies agreements: Jamaica, Albania, and Thailand (all cargo Open Skies); and one multilateral accession: Samoa. Liberalized two (non-Open Skies agreements): Hong Kong and Thailand.</p>	<p>Conclude two bilateral Open Skies agreements (or Multilateral accessions). Conclude Three non-Open Skies agreements. Conclude shipping agreement with China.</p>	<p>Conclude two bilateral Open Skies agreements (or Multilateral accessions). Conclude Three liberalizing (non-Open Skies) agreements.</p>
Output Indicator				
Indicator #3: Number of Countries Allowing Commercial use of Agricultural Biotechnology and Global Acreage of Biotech Crops under Cultivation				
<p>2000: <u>Baseline:</u> Seven countries allowed commercial use of ag-biotech products.</p> <p>2001: Seven additional countries allowed commercial use of ag-biotech products. Acreage under cultivation increased.</p>	<p>India commercialized transgenic cotton. Philippines and Brazil took initial steps toward commercializing ag-biotech.</p>	<p>The Philippines and Brazil commercialize ag-biotech. Biotech acreage continues to expand.</p>	<p>Three additional countries commercialize ag-biotech. (Implement transparent science-based regulatory regimes.)</p>	<p>Three more countries begin to commercialize ag-biotech.</p>
Output Indicator				
Indicator #4: Number of Countries With Laws and Regulations Inconsistent with the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement				
<p>2000: N/A</p> <p>2001: <u>Baseline:</u> 44</p>	34	<p>34 (Note: the final number is not available until the publication of the Special 301 List on 30 April 2004)</p>	32 or less	30 or less



I/P #4: Create Open and Dynamic World Markets, <i>cont'd</i>				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Output Indicator				
Indicator #5: Adoption of U.S. Telecom, Information Technology (IT), and Radio Communication Proposals/Positions and Standards/Recommendations Favorable to U.S. Businesses in International Telecommunications Agreements and Declarations				
<p>2000: N/A</p> <p>2001: USG worked through Inter-American Telecommunications Commission (CITEL) for the adoption of the U.S. Digital Television (DTV) standard and the allocation of 3G spectrum. Discussions on convergence standards begin.</p>	<p>USG promoted the U.S. DTV standard bilaterally with key countries Argentina and Brazil. ITU Agreement reached on standards for next generation interactive cable and interim ENUM arrangements. USG begins planning for an e-government conference.</p> <p>Most of U.S. proposed reforms to make ITU more efficient, private sector-oriented were enacted in Plenipotentiary Conference.</p>	<p>Colombia takes leadership on CITEL working group on DTV, promising faster progress. 3G spectrum allocation. USG joint e-government summit promotes U.S. e-gov services and equipment. Adoption of the majority of U.S. proposals at the World Radiocommunication Conference (WRC)</p>	<p>Final recommendations on ENUM procedures and VoIP. Full scale regional implementation of Mutual Recognition Agreements for telecom equipment. Western Hemisphere working group on Wireless Local Networks begins work.</p> <p>World Assembly on Telecom Standardization rejects proposals for ITU to regulate Internet, commercial agreements, and content.</p>	<p>Prepare for WRC 2007.</p> <p>U.S. proposals on convergence technologies for cable, telephony, and broadband adopted in the ITU.</p> <p>Western Hemisphere countries adopt U.S. Wireless Local Network standards.</p> <p>CITEL endorses the U.S. DTV standard and key countries, including Brazil, adopt it.</p>

I/P #5: Support for U.S. Businesses				
Advocate for U.S. companies to ensure transparency and fair play, and assist with regulatory and investment problems.				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Output Indicator				
Indicator #6: Number of Companies for whom Advocacy Services were Provided; Number of Advocacy Success Stories				
<p>2000: N/A</p> <p>2001: <u>Baseline:</u> Advocacy services provided for 75 companies.</p>	<p>Advocacy services provided for 110 companies</p> <p>35 advocacy success stories.</p>	<p>Advocacy services provided for 125 companies</p> <p>45 advocacy success stories.</p>	<p>Advocacy services provided for 175 companies;</p> <p>65 advocacy success stories.</p>	<p>Advocacy services provided for 185 companies</p> <p>80 advocacy success stories.</p>



I/P #6: Integrating Environmental Protection and Trade

Negotiation of bilateral and multilateral trade agreements that ensure that expanded trade neither increases environmental degradation nor creates unfair trade barriers.

Results			Targets	
2000 & 2001	2002	2003	2004	2005
Impact Indicator				
Indicator #7: Trade Agreements and Environmental Side Agreements and Guidelines Established Which Enhance International Protection and Preservation of the Environment while Avoiding Disguised Barriers to Trade				
<p>2000: N/A</p> <p>2001: The WTO agrees to negotiate trade and environment issues within the DOHA Round.</p> <p>First round of negotiations held to extend U.S. South Pacific tuna access treaty.</p> <p>Effort begins to examine issue of fishing capacity in south pacific tuna fisheries.</p>	<p>An environmental review of proposed Singapore and Chile FTAs is conducted.</p> <p>World Summit on Sustainable Development Joint Plan of Implementation concluded with satisfactory trade and finance provisions.</p> <p>Most OECD Export Credit Agencies (ECAs) agree to voluntarily adopt environmental standards for ECA-supported projects.</p> <p>OECD, FAO, and APEC discuss non-tariff trade measures, such as food safety, rules of origin and eco-labeling.</p> <p>Several countries decertified pursuant to "shrimp/turtle" import law provide credible evidence of an enhanced program and are re-certified.</p> <p>U.S. access to fisheries stocks regulated by Northwest Atlantic Fisheries Organization (NAFO) is limited.</p>	<p>Fisheries subsidies negotiations in WTO continue.</p> <p>FAO adopts work plan on eco-labeling and other non-tariff trade measures.</p> <p>The amended South Pacific Tuna Access Treaty is submitted to the Senate and advice and consent to ratification is provided.</p> <p>U.S. expands technical domestic fisheries rules relating to sea turtles; notifies foreign governments that their programs may need to adopt comparable changes in order to export shrimp to the U.S.</p> <p>NAFO makes limited progress towards establishing a fair process for access to stocks.</p> <p>Singapore and Chile FTAs are concluded with satisfactory environmental provisions.</p> <p>Environmental Cooperation Agreement with Chile and an MOI on Environmental Cooperation with Singapore are signed</p>	<p>OECD countries agree on binding environmental standards for ECAs, and public disclosure policies that meet U.S. requirements.</p> <p>Conclude two FTAs with satisfactory environmental provisions.</p> <p>Framework environmental side arrangements are negotiated and concluded with the five CAFTA countries, Morocco, and Australia.</p> <p>Work plans to be undertaken pursuant to existing environmental side arrangements and consisting of environmental projects that promote mutually supportive trade and environmental policies are developed with Jordan, Singapore and Chile.</p> <p>Promote trading regimes that support sustainable fisheries by continuing inspections in shrimp exporting countries, achieving progress in implementing cooperative agreements on trade-related fisheries issues, and by working for WTO agreements that do not undermine U.S. interests</p> <p>FAO develops eco-labeling guidelines for fisheries products.</p>	<p>OECD countries undertake discussions to expand common guidelines to include issues addressed by World Bank safeguard policies, such as impact on indigenous peoples, involuntary resettlements, etc.</p> <p>FTAs with the five SACU countries of southern Africa, the Dominican Republic and the thirty-four countries of the western hemisphere that will comprise the FTAA area are completed, each containing satisfactory environmental provisions.</p> <p>Framework environmental side arrangements are negotiated and concluded with the five SACU countries of Southern Africa, the Dominican Republic, and the countries of the FTAA area.</p> <p>Work plans to be developed to promote mutually supportive trade and environmental policies and build capacity to implement domestic environmental laws in the five CAFTA countries of Central America, the Dominican Republic, Morocco and Bahrain.</p> <p>Measurable progress in executing projects under Jordan, Singapore and Chile work plans.</p> <p>Progress continues in the WTO on how to reduce harmful fish subsidies.</p> <p>FAO Committee on Fisheries endorses ecolabeling guidelines for fisheries, implementation work begins.</p>



Means for Achieving FY 2005 Targets

WTO Doha negotiations completed January 1, 2005. Two new BITS concluded.

- Ensure implementation of Uruguay Round Agreements, offering trade capacity building assistance to developing countries
- Negotiate new agreements in the WTO Doha Development Round
- Promote WTO institutional reforms to increase transparency, accountability, and coordination with other international organizations
- Negotiate agreements to create a Free Trade Area of the Americas (FTAA), a Central America Free Trade area (CAFTA), and Free Trade Area agreements with the Southern African Customs Union, Australia, and Morocco.
- Remove foreign tariff and non-tariff barriers, through bilateral and regional initiatives, and multilateral efforts such as implementation of the APEC trade and investment liberalization objectives contained in the Shanghai Accord
- Conclude new Bilateral Investment Treaties and negotiate high-standards investment chapters in Free Trade Agreements

Conclude two bilateral Open Skies agreements (or Multilateral accessions), as well as three non-Open Skies agreements.

- Conclude new Open Skies aviation agreements
- Liberalize existing aviation agreements with important countries where "Open Skies" accords are not possible; seek multilateral aviation accords based on "Open Skies" with interested partners
- Promote liberal aviation policies in ICAO and regional fora, i.e., APEC

Three more countries begin to commercialize ag-biotech.

- Engage countries with interest, need, and capacity for biotechnology at country and regional levels to develop science based, transparent regulatory systems.
- Provide speakers, workshops, and outreach to convey benefits of ag-biotech for policy makers, consumers, and local farmers.

Support provided for 185 companies; 80 advocacy success stories.

- Generate and respond to requests for USG commercial advocacy support, including with regard to foreign government procurement, and ensure sanctity of contracts.
 - Organize and manage business outreach events to promote best business practices and enhance public diplomacy goals.
 - Promote open and transparent foreign government procurement practices and technology-neutral standards.
 - Ensure appropriate business input into ongoing negotiations for Free Trade Agreements and bilateral investment treaties, and aviation agreements.
 - Facilitate U.S. foreign investment by working to resolve investment disputes between U.S. investors and foreign governments.
 - Press signatory countries to enforce and implement the OECD Anti-Bribery Convention and promote rigorous peer monitoring.
 - Increase protection of intellectual property rights through training, Special 301 process, and embassy intervention.
 - Encourage business-to-business and business-to-government dialogue in official bilateral and multilateral fora.
 - Increase awareness of e-government as a tool for reform, and of the quality of e-government goods and services provided by U.S. industry.
 - Promote improved overseas investment climates, working in the ITU, OECD, and APEC.
 - Develop and implement public diplomacy strategies to support our goals.
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Prepare for WRC 2007.

- Develop support for emerging U.S. positions on international allocation of adequate radio spectrum at the ITU for current and future telecommunications services

U.S. proposals on convergence technologies for cable, telephony, and broadband adopted in the ITU.

- Work with U.S. telecom industry to develop and adopt U.S. proposals at the ITU.

Western Hemisphere countries adopt U.S. Wireless Local Network standards.

- Promote adoption of U.S. "3rd Generation" wireless and Digital television standards throughout hemisphere, both bilaterally and multilaterally in CITELE, an entity of the Organization of American States

CITELE endorses the U.S. DTV standard and key countries, including Brazil, adopt it.

- Promote adoption of U.S. "3rd Generation" wireless and Digital television standards throughout hemisphere, both bilaterally and multilaterally in CITELE, an entity of the Organization of American States

Continue bilateral consultations to improve coordination in WTO and FTAA and encourage continued market openings.

- Consultations and meetings with governments, demarches to pursue areas of promise for open markets of priority interest to U.S. firms.

OECD countries undertake discussions to expand common guidelines to include issues addressed by World Bank safeguard policies, such as impact on indigenous peoples, involuntary resettlements, etc.

- Work with like-minded OECD Member delegations to expand agenda of export credit agency (ECA) and environmental compliance to include integration of World Bank safeguards in the OECD's ECA-related discussions.
- Coordinate with NGOs and American exporters to exert pressure on OECD Member ECAs to adopt such safeguards policies.

Work Plans pursuant to framework environmental capacity building agreements will be agreed upon with Morocco, Bahrain and the five CAFTA countries of Central America plus the Dominican Republic

- Identify areas of joint work to be undertaken that improve these partners' capacity to meet their obligations under the environmental provisions of the FTAs they have concluded with the United States.

Measurable progress in executing projects under Jordan, Singapore and Chile work plans.

- Begin joint work in accordance with agreed work plans and progress indicators subject to review by a joint commission set up under the relevant environmental capacity building arrangement in order to meet FTA obligations and address environmental issues of mutual interest and concern.

Progress continues in the WTO on how to reduce harmful fish subsidies

- Final Agreement in Doha Development Round includes appropriate disciplines on harmful fish subsidies based on U.S. proposal for categorization into "red light" and "amber light" subsidies.

FAO Committee on Fisheries endorses ecolabeling guidelines for fisheries; implementation work begins

- WTO-consistent science-based guidelines for the establishment of ecolabels in fisheries products are developed in FAO; case studies begun on select fisheries to test effectiveness of new guidelines.
- Work through FAO Fisheries Department to provide capacity building opportunities for developing countries seeking to implement FAO guidelines for ecolabeling in their fisheries activities.



Annual Performance Goal #3
SECURE AND STABLE FINANCIAL AND ENERGY MARKETS

I/P #7: Secure Energy Supplies				
Ensure U.S. and global security by encouraging energy-sector investment in key countries, increasing international emergency oil reserves, and promoting development of advanced energy technologies.				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Output Indicator				
Indicator #1: World Emergency Oil Stocks.				
2000: <u>Baseline:</u> International Energy Agency (IEA) stock level was 111 days of net oil imports. 2001: IEA stock level was 112 days of net oil imports.	Higher stock levels in the United States, Japan, and South Korea (a new IEA member). Increased overall IEA stocks to 114 days of net oil imports as of 12/21/02. China (a non-IEA member) actively engaged with the IEA, APEC, and the United States to create emergency oil stock reserves and has formulated a plan for holding significant stocks.	During FY 2003, IEA stocks have been in the range of 112-116 days of imports. China (a non-IEA member) actively engaged with the IEA, APEC, and the United States to create emergency oil stock reserves and has formulated a plan for holding significant stocks.	IEA and non-IEA emergency oil stocks are at or above FY 2003 levels.	IEA and non-IEA emergency oil stocks are at or above FY 2004 levels.

I/P #8: Stable Financial Markets				
Enable countries to avert or recover from financial crises and to access private capital.				
Results			Targets	
2000 & 2001	2002	2003	2004	2005
Impact Indicator				
Indicator #2: Percentage of Debt Crisis Countries on IMF Programs Successfully Reforming.				
2000: <u>Baseline:</u> 61% 2001: 57%	63%	70%	60%	60%



Means for Achieving FY 2005 Targets for FY 2005 Target

IEA and non-IEA emergency oil stocks are at or above FY 2004 levels.

- Maintain an action plan for responding to a disruption in Middle East or other oil supplies and strengthen coordination with energy-producing and consuming countries as recommended in the President's National Energy Policy report.
- Encourage and support U.S. investment in major energy projects in Western and Central Africa, the Caspian region, Russia and the Americas.
- Coordinate closely with fellow International Energy Agency (IEA) members, including EU member states and Japan.
- Work with IEA and non-IEA states to increase the amount of emergency oil stocks held around the world as recommended by the President's National energy Policy Report; this cooperation would increase burden sharing in an energy crisis.
- Support U.S. international initiatives to develop advanced energy technologies, working closely with DOE, DOT, OES and regional bureaus.

Sixty percent of Debt Crisis Countries on IMF programs successfully reforming.

- Bilaterally, and multilaterally, encourage governments to adopt policies that promote economic growth and reduce the chance of economic crisis.
- Employ liberalized trade and investment arrangements to promote regional stability.
- Provide debt relief where necessary to deal with balance of payments crises, and fund assistance programs consistent with sound economic and social policies.
- Mobilize resources of international financial institutions to provide post-conflict assistance, including reconstruction, demobilization and capacity-building.

V: Illustrative Examples of FY 2003 Achievements

Economic Prosperity and Security	
Transportation Liberalization	The Department led negotiations to guarantee and expand U.S. airlines' rights, yielding an agreement with Hong Kong that will increase U.S. passenger/cargo revenue by \$1.5 billion over the next three years, and an Open Skies agreement with Jamaica. We helped structure U.S. approaches for resumed commercial air service to Iraq. Our advocacy preserved night flight landing rights in Europe; fought off monopoly postal regulations in China; helped carriers surmount SARS epidemic disruptions; and confronted discriminatory fees and practices against U.S. airlines in Latin American markets. A new maritime agreement with China will eliminate restrictions on U.S. shipping firms, saving millions of dollars in fees. We spearheaded global efforts to protect transportation networks through stronger shipping and aviation security rules. Nineteen of the 20 largest world ports committed to our Container Security Initiative (CSI) procedures, and aircraft cockpit doors were reinforced on all U.S.-bound flights one-half year before required by international standards.
Debt Forgiveness for Pakistan	In recognition of the Government of Pakistan's critical support to the Global War on Terrorism, the President, in February 2002, announced his intention to forgive up to \$1 billion of Pakistan's debt to the U.S. The Department worked with Treasury and OMB to secure Congressional authorization and funding to fulfill the President's commitment. Due to interagency efforts, a bilateral agreement signed in April 2003 cancelled \$1 billion of Pakistan's outstanding debt to the U.S. This debt reduction, which lowers Pakistan's debt service by approximately \$14 million per year, enables Pakistan to devote more resources to stabilizing its economy, boosting economic growth, and improving the lives of the poor.



Economic Prosperity and Security, <i>cont'd</i>	
Terrorism Financing	State, Treasury, Justice, FBI, the Department of Homeland Security and other agencies all work together in the fight against terrorism finance. The U.S. supported the submission by many countries of al-Qaida-linked names for inclusion in the UN asset-freeze list, requiring all countries to act against these names. We have taken action - including asset-freezing - against charities supporting terrorism, creating an incentive for charities worldwide to ensure their funds are not being diverted to terrorist organizations. In addition, many essential complementary actions have also been taken. These include the building of an international alliance against terrorism, training and technical assistance to help countries develop the capacity to fight terrorist financing, the development of international standards, and the exploitation of intelligence. All of these efforts work together to protect the United States and our allies from the scourge of terrorism now and in the future.
U.S. Trade and Investment	As a key part of the interagency advocacy and outreach process, the Department assisted over 180 U.S. companies to ensure transparency and fair play in foreign government procurements and other actions; promote market access and reform; and expand business promotion activities. The Department assisted over 75 U.S. companies seeking foreign government procurement, advised over 50 companies involved in aviation services, and consulted regularly with 30 biotech groups and IPR associations. Advocacy with foreign telecom regulators alone saved \$125 million for U.S. business. Three aviation liberalization agreements were also concluded to expand markets for U.S. firms.

VI: Data Verification/Validation by Performance Goal

Performance Goal 1
Institutions, laws, and policies foster private sector-led growth, macroeconomic stability, and poverty reduction.
<ul style="list-style-type: none"> • World Bank information is widely used and available to the public.
Performance Goal 2
Increased trade and investment, achieved through market-opening international agreements and further integration of developing countries into the trading system
<ul style="list-style-type: none"> • The WTO, USTR, and the Department provide reliable information on their websites. • The Department and the Department of Transportation provide reliable information on their websites. • The Department provides reliable information to the public. • WTO provides reliable information on its website.
Performance Goal 3
Secure And Stable Financial And Energy Markets
<ul style="list-style-type: none"> • The IMF provides reliable information on its website. • The IEA provides reliable information to the public on its website.



VII. Resource Detail

Table 1: State Appropriations by Bureau (\$ Thousands)

Bureau	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
International Organization Affairs	\$198,561	\$209,426	\$288,402
Western Hemisphere Affairs	72,446	74,640	78,270
European and Eurasian Affairs	50,944	52,857	35,042
Educational and Cultural Affairs	16,708	32,370	32,336
Other Bureaus	85,526	91,172	99,049
Total State Appropriations	424,185	460,465	533,099

Table 2: Foreign Operations by Account (\$ Thousands)

Title/Accounts	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Title I - Export and Investment Assistance			
Export-Import Bank	564,422	54,467	156,040
Overseas Private Investment Corporation	(239,381)	(199,001)	(187,115)
Trade and Development Agency	30,052	31,832	31,762
Title II - Bilateral Economic Assistance			
USAID	628,810	596,077	599,533
Other Bilateral Economic Assistance	2,249,079	1,109,851	998,830
Independent Agencies	95,571	1,093,514	2,618,409
Department of State			
Department of Treasury	12,980	113,328	217,500
Complex Foreign Contingencies			
Title III - Military Assistance			
International Military Education and Training	100	0	0
Foreign Military Financing			
Peacekeeping Operations			
Title IV - Multilateral Economic Assistance			
International Financial Institutions	1,295,781	1,383,042	1,492,731
International Organizations and Programs	109,500	229,156	223,650
Total Foreign Operations	4,746,914	4,412,266	6,151,340
Grand Total	\$5,171,099	\$4,872,731	\$6,684,439